

Secret



OFFICE OF
NATIONAL ESTIMATES

MEMORANDUM

The New Order in Brazil

Secret

1 December 1971

Copy No.

25X1

Approved For Release 2007/03/08 : CIA-RDP79R00967A000400020007-9

Approved For Release 2007/03/08 : CIA-RDP79R00967A000400020007-9

SECRET

CENTRAL INTELLIGENCE AGENCY

OFFICE OF NATIONAL ESTIMATES

1 December 1971

MEMORANDUM

SUBJECT: The New Order in Brazil*

I. BACKGROUND

1. Prior to 1964, the Brazilian military had often intervened in politics, but never to exercise power in its own name. In 1964, a number of factors led the military to reassess its traditional role, including a monumental economic crisis and a polarization of politics which increased the influence of Communists and other radicals. The military feared that these trends would consolidate the power of the left and jeopardize prospects for national development, which it saw as essential to national security. When the generals concluded that President Goulart was abetting growing indiscipline and even mutiny in the armed forces, they moved to take over.

* *This memorandum was prepared by the Office of National Estimates and coordinated within CIA.*

SECRET

2. For a time, many military leaders still seemed committed, at least in theory, to a representative political system with a more or less independent legislature and other partial restrictions on executive power. The armed forces hierarchy, however, grew increasingly impatient with its civilian critics. As it gained confidence in its own ability to guide the country, it came to believe that military control would be essential for some time to come. It used its extraordinary powers to stifle dissent and to increase the authority of the executive. Its professed goals remained the same: to eliminate corruption and self-interest in the public service, to uproot subversion, to promote rapid economic development, and to elevate Brazil to its proper place in the world. Its style of government was characterized by a kind of missionary zeal and, increasingly over time, by a high-spirited nationalism.

II. THE MILITARY RULERS AND THEIR CRITICS

3. Political power in Brazil rests with a small group of military officers closely associated with President Emílio Médici.*

* *Médici, who succeeded President Costa e Silva in October 1969, had previously served as military attaché in Washington, Chief of the national intelligence apparatus, and commander of the powerful Third Army. He was a compromise candidate not tied to any faction in the armed forces.*

Congress plays little, if any, role in major policy initiatives, and the judiciary, like the other branches of government, is subject to pressure from the executive. Médici appears to have more control over local military authorities than his predecessors. The internal security apparatus, however, has a momentum of its own and a powerful constituency throughout the armed forces. It sometimes gives the appearance of acting quite independently of the central government.

4. Not all army officers support the current thrust of government policy. There is still an "ultranationalist" element that abhors cooperation with the US, even when it appears to be in Brazil's short-term interest. Hardliners in the security field would prefer a tougher policy on subversion and kidnapping. Some favor a more comprehensive effort to aid the poverty-stricken Northeast. Junior officers have been known to criticize the performance and perquisites of their leaders and are generally suspicious of foreign investment. But there is probably more cohesion in the upper ranks than at any time in recent years. Dissidents such as General Albuquerque Lima have been passed over for promotion, dropped from service, or given unimportant assignments. Médici's inner circle is in control of the army and shows no signs of weakness.

SECRET

5. The Médici regime's popularity seems to have increased since he took office. In part this is due to skillful public relations (e.g., Médici's success in associating himself with Brazil's victorious World Cup soccer team), but there are other reasons as well. The new breed of government managers, mostly with professional and technical backgrounds, seems to be doing a better job than most of its now discredited predecessors. Corruption is no longer as pervasive in government circles. Many Brazilians are willing to accommodate themselves to an authoritarian government, tainted by chronic abuses of individual rights, so long as it brings about prosperity and a sense of accomplishment. To others among the politically aware, the government's suppression of liberties and its occasional crackdowns on individuals are favored over the permissiveness and ineptitude of the Goulart administration.

6. Probably the most enthusiastic supporters of the regime are the industrialists of Brazil centered in São Paulo, the rapidly growing metropolis in the Southeast. They have profited most from the government's economic policies and they maintain close ties with the military establishment and the Finance Ministry. Numerous retired generals hold key positions in private and semi-private firms. The government also draws considerable support from the middle classes in general.

SECRET

7. Overt opposition to the regime is, for the most part, muted. Most intellectuals are unhappy with the regime's repressive character, but they seem unwilling to challenge the authorities and thereby risk imprisonment. Lawyers, afraid of a confrontation, are tending to the technical aspects of their profession and ignoring politics. Even the students, so active a few years ago, seem cowed. Journalists, aware of what the government will not tolerate in the press, rarely write anything derogatory about the regime, and labor unions are under the thumb of the Labor Ministry. Brazil's best popular song writers, traditionally among the sharpest critics of any government, are laying off the current one.

8. The Médici regime's intimidation of political opponents is largely responsible for this relative lack of criticism. The round-up in November 1970 of several hundred liberal lawyers, politicians, and other critics of the government served as a warning.* So have the explicit reports of press censorship and torture in the prisons. Another problem for dissidents is the regime's current

* *The round-up was prompted by fears of violent anti-government activity on the anniversary of terrorist chief Carlos Marighella's death. Almost all those detained were released after a few days.*

~~SECRET~~

aura of success. Its economic performance has been impressive by most standards, and it is not easy to criticize a regime that is riding high. Playing the stock market has replaced political activism as a popular extracurricular activity, because of its more favorable balance of reward and penalty.

9. Terrorist organizations have kept up their attacks on the government, but they have become increasingly factionalized, puzzled about tactics, and enervated. Altogether, the total number of hard-core terrorists probably amounts to no more than 100. The ruthlessness and increasing effectiveness of the Brazilian security forces are chiefly responsible for this trend. Torture has often been used to gain information, and a number of prisoners have been killed. The three most charismatic leaders of the terrorist groups have been hunted down and killed.* The terrorists still pull off occasional robberies and bombings, but they are not a major threat to the government and rarely disturb the daily routine of Brazilians. They may, however, do something dramatic to embarrass Médici during his visit to the US.

* *Marighella was killed by São Paulo police in 1969. His successor, Joaquim Camara Ferreira met a similar fate in October, 1970. Former Army Captain Carlos Lamarca was killed in September 1971 after narrowly escaping capture several times.*

~~SECRET~~

~~SECRET~~

10. The most outspoken and potentially the most significant criticism of the Médici regime has come from various elements of the Catholic Church, who have been advocating social reforms and speaking out for civil liberties. The Church has become a respectable rallying point for at least some who are opposed to the present government. The most radical clerics have concluded that the only way to assist the poor, illiterate, and disadvantaged majority is through the use of force. A few have worked with terrorist organizations; others have broken the law by organizing rural labor unions. The Church hierarchy, including some moderate cardinals, has bitterly opposed the government's imprisonment and occasional torture of radical clerics.

11. The regime is trying to get the word across to Church officials that it will not tolerate strong criticism from the pulpit. Nevertheless, Church leaders still speak out in opposition to the regime's repressive character, obsession with subversion, and inadequate attention to the problems of the Northeast. The government and the Church hierarchy have periodically tried to smooth over the problems between the two powerful institutions, but the fundamental difference in outlook keeps the threat of confrontation alive.

~~SECRET~~

SECRET

III. ECONOMIC AND SOCIAL PROGRAMS

12. The most significant achievement of the military government has been Brazil's economic performance. Indeed its reputation now depends, to a large extent, on the strength of the economy. For the last four years, the gross national product has increased at an annual rate of 8 to 10 percent, with exports and industrial production leading the way. Imports have also risen sharply, but the strength of the export sector together with large inflows of foreign capital have added substantially to Brazil's foreign exchange reserves.

13. These impressive achievements are due in part to Brazil's large internal market, its vigorous entrepreneurial class, and its broad base of resources. But they are also due in no small measure to the policy initiatives undertaken by the military governments since 1964. Economic development is receiving the highest priority, even at the risk of continued price instability. Moreover, Brazil's military rulers have reversed earlier policies that discouraged both exports and foreign investments. Exports have been stimulated and diversified by successive devaluations of the cruzeiro and by a broad program of subsidies and fiscal incentives to exporters. Foreign investment has been actively encouraged, and capital is now

SECRET

~~SECRET~~

flowing into Brazil at a rate of more than a billion dollars a year. Of equal importance, the government has helped to foster an atmosphere of optimism within the Brazilian business community; domestic private investment has rebounded from the low levels prevailing in the mid-1960s.

14. The government has had considerably less success in its efforts at integrating the rural and impoverished Northeast region into the modern economy. In recent years, some industries have moved to the Northeast under a government program of fiscal incentives, but little progress has been made there in developing industry or in alleviating the massive unemployment and underemployment. The plan for industrialization is now being abandoned and its funds diverted to a new program (*Proterra*) designed to develop the region's agricultural resources. It is not yet clear how this new program will work out. The government says it is going to promote the redistribution of land, improved farm technology, and the expansion of "agribusiness." So far the government has expropriated land from only a few inefficient sugar plantations, and it seems unwilling to challenge the powerful sugar interests that dominate the region and prosper because of government subsidies and low labor costs. Small landowners still find it difficult to obtain bank credit.

~~SECRET~~

15. By far the government's most ambitious scheme -- comparable in scope to the construction of Brasilia -- is the plan to open up the Amazon basin to economic development. Two vast highways, criss-crossing the interior, are already under construction. Seven new cities are planned, and the government hopes to resettle farmers from the Northeast alongside the highways. Much of the soil, however, is not especially fertile, and it may be washed away after a few years of hard use. Though some homesteaders have already headed west from the overcrowded Northeast, the government will probably have a difficult time persuading many others to risk the uncertainties of the frontier. An additional problem is the huge cost of the project (\$500 million for the first stage alone). Funds are already being diverted from other regions, and the government may find itself spending even more than it plans.

16. The Trans-Amazonic program has become an important symbol for Brazil's military leaders. To them, it represents Brazil coming of age and achieving its manifest destiny. In addition, they see security advantages in having the western frontier more accessible and want to provide access to several untapped mineral deposits. Despite criticism from some Brazilians and foreign experts, the current regime is not about to backtrack.

~~SECRET~~

17. The Médici regime seems less committed to wiping out inflation or curbing unemployment and underemployment. After coming down from a very high level a few years ago, inflation has remained at about 20 percent for the last three years. Approximately 25-30 percent of the labor force is unemployed or underemployed, and yet the government's economic policies favor capital intensive rather than labor intensive forms of development. In the last few years, employment has been growing at only about three percent a year, little more than enough to cover annual increases in the labor force. The government's minimum wage rates have kept pace in recent years with the rise in the cost of living, but minimum wage laws are not effectively enforced and many workers are paid less than they should be. There are millions of underemployed workers in the cities and the countryside who benefit only indirectly and slowly from economic expansion.

18. Brazil's rate of population growth adds to the problem of poverty. Although the rate probably has declined in recent years, it still is around three percent. The overall population of Brazil, according to the 1970 census, is 93 million. Under present projections, it will reach 100 million by 1973 and double that before the year 2000. The Médici regime has yet to recognize

~~SECRET~~

~~SECRET~~

Brazil's high rate of population growth as a problem. Indeed the official line is that Brazil must continue to expand its population in order to achieve national greatness, a wider domestic market for industrial goods, the colonization of the interior, and a stronger defense posture. Family planning advice is provided by a few private institutions and a few public clinics on local initiative, but no publicity is permitted. The illegal abortion rate is believed to be very high.

19. For the first time in its history, Brazil now has an urban majority. In the 1960s, more than eight million people left the countryside for the cities. São Paulo alone has grown to over seven million. The government has tried to control the spread of shanty-towns by constructing new housing on the outskirts of several cities. Nevertheless, shanty-towns keep growing, and so does traffic congestion and air pollution. The pressures of urban life, however, have not yet created serious political problems for the regime. Most poor city dwellers apparently prefer to be near jobs, schools, hospitals, and bright lights rather than stuck in the countryside. As their expectations increase, the government will have a more serious problem.

~~SECRET~~

~~SECRET~~

20. Apathy is still pervasive among the bulk of the Brazilian populace. Most expect little of the government, be it civilian or military. For many, underemployment is a way of life. Brazil's illiteracy rate (nearly 50 percent) is among the highest in Latin America. Most school children never go beyond the fourth grade. The government is trying to improve educational facilities and curricula, and has set improvement in Brazil's educational system as a high priority. A government-sponsored literacy campaign is now underway. In the process, the regime is running the risk of increasing political consciousness among the masses. A better educated populace would likely demand more of its central government, but this is a problem and a challenge for future regimes, not that of President Médici.

IV. FOREIGN RELATIONS

21. The Brazilian government, confident that it is rapidly putting its own house in order, is beginning to pay much more attention to foreign affairs. Médici and others in his administration are convinced that Brazil is rapidly becoming a major world power and must play a role, both inside and outside Latin America, commensurate with its size and destiny. A major feature of this nationalistic impulse is the desire to demonstrate Brazil's independence of all outside powers, especially the US.

~~SECRET~~

~~SECRET~~

22. President Médici does not share the willingness of some of his predecessors to follow the US lead in world affairs. This is in part because the Brazilian officer corps as a whole is becoming more nationalistic. The generals, such as Castello Branco, who fought with the US Army in World War II, are no longer in charge. In addition, Brazil is no longer so dependent on US economic assistance. Over the past year or so, Brazil has been in conflict with the US over a number of specific issues: the supply of advanced military equipment to the Brazilian armed forces; trade policy in such areas as textiles, coffee, and ocean freight rates; the Brazilian extension of its territorial waters to 200 miles; and widespread criticism in the US of the Brazilian government as repressive and authoritarian.

23. A potential future area of friction is Brazil's attitude towards foreign investment. Certain sectors of the economy have been owned by the government for several years now (oil and utilities primarily); others are reserved for native Brazilian firms. The government encourages foreign investment in such industries as steel where foreign technology and capital are needed. But many Brazilians still view the foreigner's very superiority in technology and financing as a threat to domestic enterprises. Joint-ventures are in fashion now, but the hostility to foreign capital is likely to grow over time. US investments, now totaling about \$1.7 billion, would be particularly vulnerable, because of their size and visibility.

~~SECRET~~

~~SECRET~~

24. Brazilian officials are also trying to play a bigger role in Latin American affairs generally. The regime has stepped up bilateral contacts with most Latin American governments in an effort to line up support and exert continental leadership. The Médici regime was delighted with the most recent coup in Bolivia and quick to give aid to the new rightist government. Brazil has taken the lead in various inter-American and international forums on the issues of trade and territorial sea limits. On some issues, however, Brazil has been rebuffed in OAS meetings, and its higher profile is arousing considerable uneasiness in other Latin countries equally concerned with their independence and sovereignty. Peruvians, for example, are nervous about Brazil's Trans-Amazonic program, while Argentina is competing with Brazil for influence in Paraguay, Bolivia, and Uruguay.*

V. OUTLOOK

25. At least for the next several years, the military intend to dominate Brazilian politics. Though Médici has permitted somewhat

* *Uruguay represents a special problem for Brazil at this time. It was originally created as a buffer state between Brazil and Argentina, from territory that had from time to time belonged to Brazil. Brazil has always been sensitive to developments there and has a history of interference in Uruguayan affairs. It now fears that the campaign of terror conducted by the Tupamaros will get out of hand, and lead to a radicalization of the politics of that country. In spite of Uruguay's fears, however, Brazil is not likely to take military action under the circumstances that we can now envisage.*

~~SECRET~~

SECRET

greater participation by civilians in political decision-making, the generals as a whole are not inclined to relinquish their control over the government. The armed forces regard it as their destiny to guide Brazil to its rightful place in the world. They have little faith that the politicians, even those of ARENA, the government-sponsored political party, would do as good a job of running the government. They also want to follow through on some of their major programs, such as the development of the Amazon basin.

26. The make-up of the dominant military clique will probably change considerably over the next five years. A new generation of three-star and four-star generals is already replacing the colleagues of Castello Branco, and a new batch of younger officers -- trained at the war college to exercise political leadership -- is on the way. Each successive wave appears to be more nationalistic. Médici's presidential terms runs out in 1964. While there may be some wrangling over the succession and perhaps some cosmetic changes in the government to increase the appearance of civilian representation, there is unlikely to be any substantial diminution of military control.

27. It is difficult to envision an opposition outside the armed forces capable of overthrowing the government or of applying

SECRET

pressure to force it to change its ways. The terrorists are growing weaker and more disorganized. The liberal intelligentsia are cowed and confused. The government has the power to intimidate critics and does not hesitate to use it. Over the longer term, the self-righteousness of the military, its intolerance of any vigorous opposition, and its brutal tactics in dealing with what it considers subversion might lead to a serious confrontation with the Church and more of a polarization of politically aware Brazilians. But for the moment there is little opponents can do but complain, and even their ability to do that is limited.

28. The current stability may not last if the government is unable to sustain its present level of economic achievement. President Médici has just announced with some fanfare an ambitious new economic plan for the 1972-1974 period. It calls among other things for the continued growth of GNP at 8-10 percent annually and growth in exports at 15 percent per year. If the goals of the plan are not met, the aura of success that now surrounds the government may begin to fade. Opposition elements would have a conspicuous issue to exploit, and dissension would probably increase within the military itself as the government's effectiveness appeared to decline.

~~SECRET~~

29. At the present time, the chances of achieving the plan's goals for exports are not good, but the economy as a whole should maintain a high rate of growth at least through 1974. It seems reasonable to expect increases in GNP between the 6 percent annual average maintained from World War II through 1964 and the 8 to 10 percent achieved during the last few years. Investment as a percentage of GNP is currently near record levels and is expected to go higher because of the continuing optimism of private investors and the government's planned development expenditures.

30. The balance of payments situation has begun to worsen, and this is likely to continue. Imports are almost certain to grow at a faster rate than exports. In addition, Brazil must finance rising debt service charges; it is now the largest borrower from both the Export-Import Bank and the IBRD. If large balance of payments deficits develop, they would have only a gradual impact on the growth of the economy, because of the large reserves Brazil has accumulated over the past few years. Eventually, however, the deficits would necessitate some corrective action.

31. No matter what happens to the economy, Brazil's serious social problems will not be solved. Millions of poor countryfolk

~~SECRET~~

~~SECRET~~

and cityfolk with only a marginal role in economic life will continue to be on the outside looking in. The government's social programs seem unlikely to improve living conditions for the vast majority of Brazilians. Indeed, the Trans-Amazonic highway and accompanying drive for development will probably divert money from the Northeast and urban slums throughout the country. Nevertheless, public apathy and absorption of energies in daily problems will probably undercut any efforts to politicize the masses. Brazilians are used to governments that either ignore or are unable to cope with the problems of poverty. High rates of population growth will aggravate some of these problems, but the government remains convinced that Brazil's claim to greatness will be reinforced as its numbers increase.

32. The Brazilian military will probably take an increasingly nationalistic and independent line in foreign affairs. The US will find them more touchy and difficult to deal with over the next several years, especially on trade matters. US businessmen in Brazil will be facing the challenge of working out new arrangements with the Brazilian authorities and, in some cases, finding ways to divest themselves without losing their shirts. At the same time, Brazil will be playing a bigger role in hemispheric affairs. It is unlikely that Brazil would intervene openly in its neighbor's internal affairs, but the regime will not be above using the threat of intervention or tools of diplomacy and political action to keep friends

~~SECRET~~

in office or to place them there in countries such as Uruguay and Bolivia. Brazil's assertiveness on the continent may lead other Latin governments to work together to withstand pressures from the emerging Colossus.

25X1

Approved For Release 2007/03/08 : CIA-RDP79R00967A000400020007-9

Approved For Release 2007/03/08 : CIA-RDP79R00967A000400020007-9